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Report Highlights:

Government Permits Increase of Territory of Azov Port Terminal... PSS Restricts Imports of Egyptian Plant Products into Russia... Government determines that Products, Goods and Services of Russian or EAEU Origin will have a 15 percent Price Benefit in Government Auction... Grain Stocks on September 1, 2016 are 45.4 MMT... Grain Procurement Interventions Started in Russia... Tariff Quotas for Rice Imported from Vietnam... TAX Code Amended..

General Information:

Welcome to the Russian Agricultural Policy and Situation Bi-Weekly Update, a summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Russia, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

Government Permits Increase of Territory of Azov Port Terminal. The Russian government ordered (Order No. 1917-p of September 12, 2016) the expansion of the territory of the Azov Sea port (Rostov oblast) in order to build a special export terminal of 700 TMT per year capacity for export loading of grain and general cargo to vessels of mixed (river-sea) navigation. The terminal is designed to service vessels with deadweight of up to 5,000 MT. The terminal will include three berths (two for loading grain and one for general cargo). For the formation of shipload lots, a 50,000 MT capacity grain elevator will be built. The total cost of construction of the terminal is estimated at two billion rubles, and all expenses will be covered by a private investor.

<http://government.ru/docs/24544/>.

VPSS Restricts Imports of Egyptian Plant Products into Russia. The Russian Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) imposed temporary restrictions on imports of regulated products of high phytosanitary risk from the Arab Republic of Egypt <http://www.fsvps.ru/fsvps/news/18441.html>. The restrictions came into force on September 22nd, 2016 and covered all products of plant origin, including citrus fruits, tomato, potato, onion, etc. According to the Russian Customs, in January – June 2016 imports of fruits and vegetables from Egypt was \$497.3 million <http://www.tks.ru/news/nearby/2016/09/19/0005>.

However, on October 3rd, VPSS head Sergey Dankvert, in his interview to Interfax, stated that Russia will lift restrictions on all plant products from Egypt, except for potato, starting from October 1st, 2016. Mr. Dankvert also said that the decision was prompted by the fact that the Egyptian high level delegation visited Moscow and presented the Russian authorities with a plan for pest eradication. He also added that potato shipments from Egypt will likely be resumed in October-November, 2016, after the visit of VPSS experts to Egypt. Mass media reports that these restrictions were in reaction to Egypt's zero tolerance for *Ergot* in grain, which effectively banned imports from most suppliers. Egypt has since established a tolerance for *Ergot*. FAS/Moscow reported on this issue in [Agricultural Situation and Bi-weekly Update # 13](#).

<http://kvedomosti.ru/news/rossiya-snyala-zapret-na-postavki-egipetskix-fruktoy-i-ovoshhej.html>

http://www.ng.ru/economics/2016-09-19/1_egypt.html, <http://tass.ru/ekonomika/3634011>

Government determines that Products, Goods and Services of Russian or EAEU Origin will have a 15 percent Price Benefit in Government Auction or Tender Purchases. The Government Resolution No. 925 of September 16, 2016 (<http://government.ru/docs/24553/>) stipulates that at auctions

or tenders for government procurement of goods, commodities, and services, proposals of Russian and EAEU goods (including agricultural products) and services will be evaluated with a 15 percent cost reduction factor, even though the contract will be concluded at the original asking price. According to mass media, Russian officials do not expect that the new rules, which apply to purchases for government use, not for resale, will distort trade or contradict WTO commitments. Meantime, experts indicate that these new rules may stimulate domestic inflation, limit inputs and services supply to the private sector, and reduce the quality of Russian goods and services. Media sources: [vedomosti_ /2016/09/16/657245](http://vedomosti.ru/2016/09/16/657245) and [vedomosti_2016/09/19/657506](http://vedomosti.ru/2016/09/19/657506)

Grain Stocks on September 1, 2016 are 45.4 million metric tons (MMT), the highest in the last 5 years: Due to the yearly harvest and the record grain crop, grain stocks on September 1st increased from August 1st by almost 15 MMT to 45.4 MMT, to become the highest September 1st grain stocks in the last five years. In Southern European Russia (Southern and North Caucasus federal districts), stocks were also the highest in the last five years, but almost did not change from August 1, 2016 because this area is the major exporter of grain. The 2016 wheat crop is expected to be the highest in post-USSR history, and wheat stocks at the assembling and processing enterprises on September 1st were also the highest September 1st stocks in the last seven years.

http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d01/190zerno19.htm

Grain Procurement Interventions Started in Russia on September 21st. On September 21st, the State Grain Intervention Fund purchased the first 83 TMT of grain to the Intervention Fund for almost 850.6 million rubles from Siberian and Ural producers. The purchases included 38,610 MT of Class 3 wheat, 36,450 MT of Class 4 wheat, and 8,370 MT of Class 5 wheat (http://www.mcx.ru/documents/document/v7_show/36640..htm). The average procurements prices at the first day of this “Dutch type” auction were 10,620 Rubles, 10,087 rubles and 8,707 rubles, respectively. For 2016 intervention purchases, the Ministry of Agriculture set the following ceiling prices: wheat Class -10,900 rubles, wheat Class 4 – 10,400 rubles, and wheat Class 5 – 8,800 rubles.

Tariff Quotas for Rice Imported from Vietnam. In accordance with the EAEU agreement with Vietnam on the Free Trade Zone Russia drafted GOR Resolution on the Distribution of Volumes of tariff quotas for certain types of long grain rice imported from Vietnam. <http://regulation.gov.ru/projects/List/AdvancedSearch#npa=53284>

Export Duty on Wheat Decreased to Zero. Government Resolution No. 966 of September 26, 2016 “On introduction changes into export customs tariff rates of commodities, exported from the Russian Federation outside of boundaries of member-states of the Custom Union Agreement”. According to the Resolution starting from September 23, 2016 until July 1, 2018, zero export duty rate will be applied. The measure is called to support Russia grain export potential and provide for balanced state of the food market as well as market profitability for the Russian grain producers. However, the export duty mechanism remains in place in the event it is needed in the future. <http://www.tks.ru/news/nearby/2016/09/21/0002>.

TAX Code Amended - Agricultural Service Providers and Cooperatives are Added to the List of Taxpayers Eligible to Use the Unified Agricultural Tax (UAT).

On June 23, 2016 President Putin signed the [Amendments to Article 346 of the Tax Code](#) to add agricultural service providers and cooperatives to the list of businesses eligible to work under the Unified Agricultural Tax regime.

Businesses listed in Part 2, Article 346 of the Tax Code of Russian Federation have a right to choose to convey to the Unified Agricultural Tax as identified by the Chapter 26.1 of the Tax Code of the Russian Federation. (Tax base is revenue minus costs and the tax rate is six percent of the tax base. Companies working under the regime are not paying the 20 percent profit tax and are exempt from property taxes).

Agricultural cooperatives (including trade cooperatives), as defined by the Federal law-193 “On Agricultural Cooperation” and business organizations and individual entrepreneurs defined as agricultural service providers in the All-Russian Classifier of Types of Economic Activities have been granted the right to choose the Unified Agricultural Tax starting next tax year. The services include: preparation of fields, crop cultivation, treatment of seeds before sowing, livestock and poultry herds health examination, cattle grazing and others. Companies must gain no less than 70 percent of their income from agriculture to be eligible for the simplified agricultural taxation. NOTE: According to comments from industry contacts, UAT tax has its own advantages and disadvantages. The use of the system protects companies from the negative impact of frequent changes of the regular tax regime, such as increase of Profit Tax rate (from 0 to 20 percent between 2006 and 2016). Companies which are located in the regions with no incentives for property taxes most likely benefit from using the UAT. However, the companies, which use UAT, are not eligible for VAT refunds.

<http://www.kremlin.ru/acts/news/52231>